

NYNEX Government Affairs
1300 I Street NW Suite 400 West Washington DC 20005
202-336-7888

Susanne Guyer
Executive Director
Federal Regulatory Policy Issues

EX PARTE OR LATE FILED

CONTROL COPY

NYNEX

October 28, 1996

Ex Parte

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

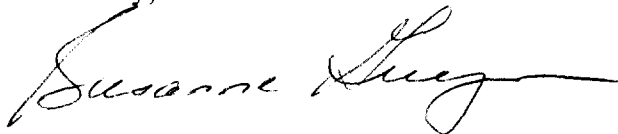
RECEIVED
OCT 28 1996
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

**Re: CC Docket No. 96-149; Implementation of Non-Accounting
Safeguards**

Dear Mr. Caton:

On Friday, October 25, Mr. D. Evans, Mr. F. Gumper, Mr. K. Rust, and I, representing NYNEX, met with Mr. R. Metzger, Ms. C. Matthey, Mr. D. Stockdale and Mr. S. Spaeth of the Common Carrier Bureau. The purpose of the meeting was to discuss NYNEX's positions in the above-referenced proceeding. The attached charts were used during the discussion.

Sincerely,



cc: R. Metzger
C. Matthey
D. Stockdale
S. Spaeth



NYNEX Recycles

No. of Copies rec'd
List ABCDE

021

CC Docket 96-149

Non-Accounting Safeguards

NYNEX.

October 25, 1996

Joint Marketing

- The Act clearly demonstrates that Congress intended for the BOCs and their affiliates to engage in joint marketing on an exclusive basis:
 - A BOC may market/sell the long distance services of its affiliate when authorized to sell long distance (Section 272(g)(2)&(3)).
 - A BOC long distance affiliate may market/sell services obtained in a non-discriminatory manner from the BOC (Section 272(g)(1)&(3))

NYNEX.

Joint Marketing (cont'd)

- For NYNEX joint marketing to have any real substance, it must include at a minimum the ability, on an exclusive basis, for NYNEX to use its sales channels to act as a sales agent for and make customer referrals to its InterLATA affiliate
- NYNEX does not intend to provide other marketing activities, such as product development, product management, market management, channel management, market research, or pricing on behalf of its affiliates.

NYNEX.

MFJ Equal Access Requirement

- Section 251(g) does not continue the MFJ's prohibition against "marketing."
- Section 272(g)(3) permits NYNEX to engage in marketing for its affiliate on an exclusive basis.
- NYNEX will advise new customers, in the process of completing orders for local service, that they have long distance options.
- NYNEX proposal comports with equal access obligations and gives meaningful effect to the Act's authorization of joint marketing.
- Any equal access requirement continued by the FCC should apply to all competitive local exchange carriers including local affiliates of interexchange carriers.

NYNEX.

Shared Services: The Provision of Traditional Holding Company Functions

- Section 272(b) addresses the relationship between a BOC and its separate long distance affiliate and assumes the existence of a holding company.
- The consolidation of company functions/resources provides economic benefits to consumers in the way of reduced costs.

NYNEX.

Shared Services: The Provision of Traditional Holding Company Functions

- The Act provides sufficient protections to provide corporate governance, support and administrative functions through a holding company or its service subsidiary.
 - Obtaining services from the same company does not create shared employees.
 - All transactions between a BOC and its long distance affiliate will be at arms length and subject to affiliate transaction accounting rules.
 - A BOC and its long distance affiliate would keep separate books.

NYNEX.

Shared Services: The Provision of Traditional Holding Company Functions

The following are the minimum functions that should be permitted to be performed by a holding company or service subsidiary on behalf of its affiliates including a BOC and its long distance affiliate (as defined in NYNEX's comments). These functions do not involve a BOC's "network capabilities" or "local exchange operations" :

- Chairman and Chief Executive Officer
- Chief Financial Officer
- General Counsel
- Strategic Planning
- External Affairs
- Chief Information Officer
- Human Resources
- Real Estate Operations/Management
- Logistics Management
- Technology Analysis

NYNEX.

Application of CI-II, CI-III and ONA

- There is no basis for applying CI-II, CI-III and ONA Rules to a BOC long distance affiliate.
 - No control of any underlying, local or interexchange communications networks.

NYNEX.

Application of CI-II, CI-III and ONA

- Implementation of the Act will result in a fundamental unbundling of a BOC's network.
- Therefore, CI-II, CI-III and ONA Rules should be eliminated once checklist is met.
 - ESP Industry is thriving.
 - Competition will give non-carrier ESPs leverage and choice.

Reporting

- Additional reporting requirements are unnecessary.
- If FCC does adopt reporting requirements, then those reports should be:
 - focused on detecting non-discrimination
 - aggregated
 - designed through industry participation

NYNEX Long Distance Affiliate Should be Found to be a Non-Dominant Carrier

- Entry into long distance market with zero market share
- Pro-competitive effect of entry into the long distance market would be minimized if NYNEX affiliate regulated as dominant carrier
- DOJ recommends that FCC should not apply dominant carrier regulation to BOC long distance affiliate

NYNEX.